

Pictet & Cie (Europe) S.A., Hong Kong Branch

Key Financial Information Disclosure Statements

as at 30 Jun 2019

Pictet & Cie (Europe) S.A., Hong Kong Branch

Key Financial Information Disclosure Statements

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Pictet & Cie (Europe) S.A., Hong Kong Branch

Profit & Loss Account

For the period ended 30 June 2019

| | Notes | 6 months ended 30 Jun 2019 HKD'000 | 6 months ended 30 Jun 2018 HKD'000 |
|---|-------|--|--|
| Interest income | | 89,326 | 62,529 |
| Interest expense | | <u>(39,520)</u> | <u>(18,518)</u> |
| Net interest income | | 49,806 | 44,011 |
| Other operating income | 1 | <u>135,594</u> | <u>144,729</u> |
| Total operating income | | 185,400 | 188,740 |
| Operating expenses | 2 | <u>(185,281)</u> | <u>(155,798)</u> |
| Profit before allowances for credit losses | | 119 | 32,942 |
| Allowances for credit losses (Impairment losses and provisions) / Write-back for impaired loans and receivables | | <u>-</u> | <u>-</u> |
| Profit / (Loss) before taxation | | (2,432) | 25,539 |
| Tax expense | | <u>-</u> | <u>-</u> |
| Profit / (Loss) after taxation | | <u>(2,432)</u> | <u>25,539</u> |

Pictet & Cie (Europe) S.A., Hong Kong Branch

Balance Sheet

As at 30 June 2019

| | Notes | 30 Jun 2019 HKD'000 | 31 Dec 2018 HKD'000 |
|---|-------|------------------------|------------------------|
| Assets | | | |
| Due from Exchange Fund | | 9,500 | 10,506 |
| Balances with banks (except those included in amount due from overseas offices) | | 280,105 | 240,460 |
| Placements with banks with residual maturity of more than 1 month but not more than 12 months (except those included in amount due from overseas offices) | | - | - |
| Amount due from overseas offices | | 1,644,385 | 920,350 |
| Loans and receivables | 3 | 6,052,237 | 5,578,072 |
| Debt instruments held | | 3,022,547 | 3,228,240 |
| Property, plant and equipment | | 18,468 | 12,147 |
| Total assets | | <u>11,027,242</u> | <u>9,989,775</u> |
| Liabilities | | | |
| Balances from banks (except those included in amount due to overseas offices) | | 201 | 15,800 |
| Deposits from customers | 7 | 3,419,964 | 2,993,153 |
| Amount due to overseas offices | | 6,937,918 | 6,701,843 |
| Other liabilities | | 669,159 | 278,979 |
| Total liabilities | | <u>11,027,242</u> | <u>9,989,775</u> |

Notes to the Financial Statements

| | Note | 6 months ended 30 Jun 2019 HKD'000 | 6 months ended 30 Jun 2018 HKD'000 |
|---|------|--|--|
| 1 Other operating income | | | |
| Income from fees and commissions | | | |
| Fees and commission income | | 93,390 | 107,845 |
| Less: Fees and commission expenses | | (29,629) | (33,113) |
| | | <u>63,761</u> | <u>74,732</u> |
| Gains from non-trading activities in foreign currencies | | 5,968 | 7,085 |
| Other income | | 65,865 | 62,912 |
| | | <u>135,594</u> | <u>144,729</u> |
| 2 Total operating expenses | | | |
| Staff and rental expenses | | (125,150) | (122,039) |
| Other expenses | | (60,131) | (33,759) |
| | | <u>(185,281)</u> | <u>(155,798)</u> |
| | | | |
| | | 30 Jun 2019 HKD'000 | 31 Dec 2018 HKD'000 |
| 3 Loans and receivables | | | |
| Loans and advances to customers | | | |
| - Overdrafts | | 1,073,058 | 1,009,859 |
| - Other loans due within 1 month | | 2,559,788 | 3,343,745 |
| - Between 1 and 3 months | | 998,570 | 259,111 |
| - Between 3 months and 1 year | | 742,693 | 676,286 |
| - Later than 1 year | | 24,022 | 24,165 |
| | 4 | <u>5,398,131</u> | <u>5,313,166</u> |
| Less : | | | |
| Allowances for credit and other losses | | (3,804) | (1,568) |
| Total Loans and advances to customers | | <u>5,394,327</u> | <u>5,311,598</u> |
| Accrued interest | | 27,066 | 15,947 |
| Provisions for impaired loans and receivables | | | |
| Less: collective provisions | | - | - |
| specific provisions | | - | - |
| Other accounts | | 630,844 | 250,527 |
| | | <u>6,052,237</u> | <u>5,578,072</u> |

The allowances for credit and other losses refer to expected credit losses following the transition to IFRS 9.

4 Analysis of gross amount of loans and advances to customers**a. Breakdown by industry sectors**

The analysis of gross loans and advances to customers by industry sectors are based on the categories and definitions used by the Hong Kong Monetary Authority.

| | 30 Jun 2019 HKD'000 | | |
|--|------------------------|-----------|------------------|
| | Secured | Unsecured | Total |
| Loans and advances for use in Hong Kong | 3,665,714 | | 3,665,714 |
| <u>Industrial, commercial and financial</u> | | | |
| Financial concerns | | - | |
| <u>Individuals</u> | | | |
| Others | 811,356 | - | 811,356 |
| | <u>4,477,070</u> | <u>-</u> | <u>4,477,070</u> |
| Loans and advances for use outside Hong Kong | <u>921,061</u> | <u>-</u> | <u>921,061</u> |
| Total loans and advances to customers | <u>5,398,131</u> | <u>-</u> | <u>5,398,131</u> |
| | | | |
| | 31 Dec 2018 HKD'000 | | |
| | Secured | Unsecured | Total |
| Loans and advances for use in Hong Kong | | | |
| <u>Industrial, commercial and financial</u> | | | |
| Financial concerns | 3,455,547 | - | 3,455,547 |
| <u>Individuals</u> | | | |
| Others | 674,913 | - | 674,913 |
| | <u>4,130,460</u> | <u>-</u> | <u>4,130,460</u> |
| Loans and advances for use outside Hong Kong | <u>1,182,706</u> | <u>-</u> | <u>1,182,706</u> |
| Total loans and advances to customers | <u>5,313,166</u> | <u>-</u> | <u>5,313,166</u> |

4 Analysis of gross amount of loans and advances to customers (cont'd)**b. Breakdown by geographical areas**

The gross amount of loans and advances to customers by geographical areas are classified according to the location of the counterparties after taking into account the transfer of risk. In general, risk transfer applies when a loan or advance is guaranteed by a party in a country which is different from that of the counterparty.

| | 30 Jun 2019 HKD'000 | |
|------------------------|------------------------------------|--|
| | Loans and advances to customers | Overdue / Impaired loans and advances to customers |
| British Virgin Islands | 1,984,980 | - |
| Cayman Islands | 1,367,263 | - |
| Hong Kong | 855,230 | - |
| Japan | 519,583 | - |
| Singapore | 141,851 | - |
| Chinese Taipei | 119,910 | - |
| Others | 409,314 | - |
| | 5,398,131 | - |

| | 31 Dec 2018 HKD'000 | |
|------------------------|------------------------------------|--|
| | Loans and advances to customers | Overdue / Impaired loans and advances to customers |
| British Virgin Islands | 1,996,134 | - |
| Cayman Islands | 1,181,850 | - |
| Hong Kong | 723,027 | - |
| Japan | 551,085 | - |
| Singapore | 137,951 | - |
| Chinese Taipei | 396,147 | - |
| Others | 326,972 | - |
| | 5,313,166 | - |

5 Loans and advances to customers and banks which have been overdue

Pictet & Cie (Europe) S.A., Hong Kong Branch ("PEUSA HK") does not have any overdue and rescheduled loans and advances to customers and banks as at 30 Jun 2019 and 31 Dec 2018.

PEUSA HK does not have impaired loans and advances to banks as at 30 Jun 2019 and 31 Dec 2018.

6 Other Assets Overdue and repossessed assets

PEUSA HK does not have any overdue other assets as at 30 Jun 2019 and 31 Dec 2018.

PEUSA HK does not have any repossessed assets as at 30 Jun 2019 and 31 Dec 2018.

Notes to the Financial Statements (cont'd)

7 Deposits from customers

| | 30 Jun 2019 | 31 Dec 2018 |
|--------------------------------------|------------------|------------------|
| | HKD'000 | HKD'000 |
| Demand deposits and current accounts | 3,418,457 | 2,983,757 |
| Savings deposits | - | - |
| Time, call and notice deposits | 1,507 | 9,396 |
| | <u>3,419,964</u> | <u>2,993,153</u> |

8 International Claims

International claims are classified by the types and the locations of the counterparties after taking into account the transfer of risk. In general, such transfer of risk refers to the reduction of the PEUSA HK's exposure to a particular country by an effective transfer of credit risk to a different country with the use of credit risk mitigates which include guarantees, collateral and credit derivatives. The basis of the country and geographical segment classification is in accordance with the guidance notes from the Hong Kong Monetary Authority.

| | 30 Jun 2019 | | | | | |
|--|-------------------------|-----------------|---------------------------------|------------------------------|----------|---------------|
| | HKD million | | | | | |
| | Non-bank private sector | | | | | |
| | Banks | Official sector | Non-bank financial institutions | Non-financial private sector | Others | Total |
| 1. Developed Countries | 2,117 | 3,019 | 1 | 611 | - | 5,748 |
| of which : | | | | | | |
| Switzerland | 2,010 | - | 1 | 1 | - | 2,012 |
| United States | - | 1,992 | - | - | - | 1,992 |
| Japan | - | - | - | 604 | - | 604 |
| Netherlands | - | 583 | - | - | - | 583 |
| Austria | - | 444 | - | - | - | 444 |
| United Kingdom | 107 | - | - | 2 | - | 109 |
| Others | - | - | - | 4 | - | 4 |
| 2. Offshore Centres | - | - | - | 4,735 | - | 4,735 |
| of which : | | | | | | |
| British Virgin Islands | - | - | - | 2,140 | - | 2,140 |
| Cayman Islands | - | - | - | 1,368 | - | 1,368 |
| Hong Kong | - | - | - | 715 | - | 715 |
| Singapore | - | - | - | 178 | - | 178 |
| Panama | - | - | - | 121 | - | 121 |
| Others | - | - | - | 213 | - | 213 |
| 3. Developing Europe | - | - | - | - | - | - |
| 4. Developing Latin America and Caribbean | - | - | - | 22 | - | 22 |
| 5. Developing Africa and Middle East | - | - | - | 7 | - | 7 |
| 6. Developing Asia and Pacific | 123 | 12 | - | 18 | - | 153 |
| of which : | | | | | | |
| Chinese Taipei | 117 | - | - | 9 | - | 126 |
| Others | 6 | 12 | - | 9 | - | 27 |
| | <u>2,240</u> | <u>3,031</u> | <u>1</u> | <u>5,393</u> | <u>-</u> | <u>10,665</u> |

8 International Claims (cont'd)

| | 31 Dec 2018 HKD million | | | | | |
|--|----------------------------|-----------------|---------------------------------|------------------------------|----------|--------------|
| | Non-bank private sector | | | | | |
| | Banks | Official sector | Non-bank financial institutions | Non-financial private sector | Others | Total |
| 1. Developed Countries | 1,259 | 3,212 | - | 562 | - | 5,033 |
| of which : | | | | | | |
| United States | - | 2,178 | - | - | - | 2,178 |
| Switzerland | 1,170 | - | - | 2 | - | 1,172 |
| Netherlands | - | 587 | - | - | - | 587 |
| Japan | - | - | - | 551 | - | 551 |
| Austria | - | 447 | - | - | - | 447 |
| Others | 89 | - | - | 9 | - | 98 |
| 2. Offshore Centres | - | - | - | 4,154 | - | 4,154 |
| of which : | | | | | | |
| British Virgin Islands | - | - | - | 2,017 | - | 2,017 |
| Cayman Islands | - | - | - | 1,183 | - | 1,183 |
| Hong Kong | - | - | - | 555 | - | 555 |
| Singapore | - | - | - | 147 | - | 147 |
| Others | - | - | - | 252 | - | 252 |
| 3. Developing Europe | - | - | - | 5 | - | 5 |
| 4. Developing Latin America and Caribbean | - | - | - | 23 | - | 23 |
| 5. Developing Africa and Middle East | - | - | - | 6 | - | 6 |
| 6. Developing Asia and Pacific | 395 | 12 | - | 98 | - | 505 |
| of which : | | | | | | |
| Chinese Taipei | 392 | - | - | 7 | - | 399 |
| Others | 3 | 12 | - | 91 | - | 106 |
| | 1,654 | 3,224 | - | 4,848 | - | 9,726 |

Notes to the Financial Statements (cont'd)

9 Non-bank Mainland exposures

| | 30 Jun 2019 HKD'000 | | |
|---|---------------------------------|----------------------------------|---------------|
| | On-balance sheet exposure | Off-balance sheet exposure | Total |
| Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs) | 11,623 | - | 11,623 |
| PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 2,764 | - | 2,764 |
| PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | - | - | - |
| Other counterparties where the exposure are considered by the reporting institution to be non-bank Mainland China exposures | - | - | - |
| Total | 14,387 | - | 14,387 |
| Total assets after provision | 11,027,242 | | |
| On-balance sheet exposures as percentage of total assets | 0.13% | | |
| | 31 Dec 2018 HKD'000 | | |
| | On-balance sheet exposure | Off-balance sheet exposure | Total |
| Central government, central government-owned entities and their subsidiaries and joint-ventures (JVs) | 11,682 | - | 11,682 |
| PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 5,896 | - | 5,896 |
| PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | - | - | - |
| Other counterparties where the exposure are considered by the reporting institution to be non-bank Mainland China exposures | 1 | - | 1 |
| Total | 17,579 | - | 17,579 |
| Total assets after provision | 9,989,775 | | |
| On-balance sheet exposures as percentage of total assets | 0.18% | | |

Notes to the Financial Statements (cont'd)

10 Currency Risk

The net position in a particular foreign currency is disclosed if the net position (in absolute term) constitutes 10% or more of the total net position in all foreign currencies.

| | 30 Jun 2019 | | | | | | | |
|---------------------------|-------------|----------|----------|----------|----------|----------|-----------|--|
| | HKD million | | | | | | | |
| | USD | JPY | GBP | CAD | SGD | Others | Total | |
| Spot assets | 5,122 | 1,756 | 103 | 11 | 64 | 2,086 | 9,142 | |
| Spot liabilities | (5,111) | (1,753) | (101) | (10) | (63) | (2,085) | (9,123) | |
| Forward purchases | 939 | 51 | 32 | - | - | 517 | 1,539 | |
| Forward sales | (938) | (51) | (32) | - | - | (517) | (1,538) | |
| Net options positions | - | - | - | - | - | - | - | |
| Net long/(short) position | <u>12</u> | <u>3</u> | <u>2</u> | <u>1</u> | <u>1</u> | <u>1</u> | <u>20</u> | |
| Net structural position | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | |

| | 31 Dec 2018 | | | | | | | | |
|---------------------------|-------------|----------|----------|------------|----------|----------|-----------|----------|-----------|
| | HKD million | | | | | | | | |
| | USD | GBP | JPY | EUR | CNY | CAD | CHF | Others | Total |
| Spot assets | 4,698 | 96 | 1,398 | 1,568 | 53 | 25 | 132 | 476 | 8,446 |
| Spot liabilities | (4,688) | (95) | (1,396) | (1,569) | (52) | (24) | (116) | (475) | (8,415) |
| Forward purchases | 688 | 101 | 99 | 143 | 10 | - | 165 | 159 | 1,365 |
| Forward sales | (687) | (101) | (99) | (143) | (10) | - | (165) | (159) | (1,364) |
| Net options positions | - | - | - | - | - | - | - | - | - |
| Net long/(short) position | <u>11</u> | <u>1</u> | <u>2</u> | <u>(1)</u> | <u>1</u> | <u>1</u> | <u>16</u> | <u>1</u> | <u>32</u> |
| Net structural position | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The above represent the Hong Kong dollar equivalent values of the individual currencies.

Notes to the Financial Statements (cont'd)

11 Contingent liabilities and commitments

| (contractual amounts) | 30 Jun 2019 HKD'000 | 31 Dec 2018 HKD'000 |
|---------------------------|------------------------|------------------------|
| Direct credit substitutes | 565,477 | 520,692 |
| Other commitments | 5,824,488 | 5,670,055 |

12 Derivatives instruments

| | 30 Jun 2019 HKD'000 | | |
|--|------------------------|----------|--------------------------|
| | Fair Value Positive | Negative | Total Notional Amount |
| Exchange rate contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements) | 19,542 | 18,084 | 2,632,240 |
| | 31 Dec 2018 HKD'000 | | |
| | Fair Value Positive | Negative | Total Notional Amount |
| Exchange rate contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements) | 28,253 | 27,264 | 2,181,173 |

13 Disclosure on Remuneration

Pursuant to Section 3 of Supervisory Policy Manual (CG-5) "Guideline on a sound remuneration system" issued by the Hong Kong Monetary Authority, PEUSA HK complies with the requirements.

14 Liquidity Ratio

| | For the quarter ended Q2 2019 | For the quarter ended Q1 2019 | For the quarter ended Q2 2018 |
|---|--|--|--|
| Average liquidity maintenance ratio for 3 months period | 43.13% | 44.05% | 42.13% |
| | For the period ended 30 Jun 2019 | For the period ended 30 Jun 2018 | |
| Average liquidity maintenance ratio for 6 months period | 43.59% | 41.96% | |

The average liquidity maintenance ratio ("LMR") are calculated as the simple average of each calendar month's average liquidity maintenance ratio, which is computed as required by the Hong Kong Monetary Authority for its regulatory purposes, and is in accordance with the Hong Kong Banking Ordinance.

15 Liquidity Risk Management

Pictet & Cie (Europe) S.A. ("PEUSA") has six branches located in Germany, Spain, France, Italy, Hong Kong, and the United Kingdom. Liquidity is centrally managed by PEUSA which has put in place a liquidity risk management framework, policies and procedures. PEUSA also adheres to the Pictet Group Liquidity Management Policy. Pictet & Cie (Europe) S.A., Hong Kong Branch ("PEUSA HK") apart from adopting PEUSA's liquidity practices also considers and complies with the relevant liquidity risk regulations prescribed by the Hong Kong Monetary Authority ("HKMA").

PEUSA Treasury runs the liquidity and funding stress model and measures the exposures and adherence to limits. PEUSA Treasury reports to the PEUSA's Treasury Committee on any significant deterioration on PEUSA HK's liquidity position, breaches in limits identified, results of liquidity stress testing, updates and/or changes on PEUSA HK's Contingency Funding Plan (CFP) and funding.

Due to its limited size and complexity, all liquidity and funding flows of PEUSA HK are essentially back-to-backed into PEUSA. Exceptions may exist for local currencies which are placed directly with local banks. Additional term borrowings from PEUSA may be required to finance locally booked eligible liquid assets to maintain PEUSA HK's Liquidity Maintenance Ratio (LMR) above the regulatory requirement of the Hong Kong Monetary Authority (HKMA). The regulatory requirement of 25% in the LMR is complemented with an internal limit which is set at 35%.

PEUSA Treasury is ensuring that PEUSA HK disposes of sufficient liquidity at all times and maintains a Contingency Funding Plan (CFP) for PEUSA that includes its branches. Should the business or the balance sheet in PEUSA HK evolve to the extent that more local contingencies and liquid assets become necessary as described above, the Finance and Treasury Committee of PEUSA HK will also action the pledge of locally booked liquid assets to the HKMA for the purpose of being able to receive emergency liquidity funding.

PEUSA Consolidated Financial Information

Capital and Capital Adequacy

| Capital adequacy ratio (Note) | <u>30 Jun 2019</u> | <u>31 Dec 2018</u> |
|------------------------------------|--------------------|--------------------|
| Common Equity Tier 1 capital ratio | 25.86% | 21.43% |
| Tier 1 capital ratio | 25.86% | 21.43% |
| Total capital ratio | 26.69% | 22.23% |
| | CHF'000 | CHF'000 |
| Total shareholders' equity | 450,415 | 388,758 |

Other financial information

| | | |
|----------------------------|--------------------|--------------------|
| Balance sheet: | CHF'000 | CHF'000 |
| Total assets | 11,178,512 | 11,187,567 |
| Total liabilities | 10,679,522 | 10,691,568 |
| Total Loans and advances | 5,702,184 | 6,254,000 |
| Total customer deposits | 9,624,459 | 9,125,326 |
| | 6 months ended | 6 months ended |
| | <u>30 Jun 2019</u> | <u>30 Jun 2018</u> |
| Profit and Loss: | CHF'000 | CHF'000 |
| Profit before income taxes | 48,575 | 55,549 |

Note:

1. The capital adequacy ratio is computed in accordance with the REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013.

Pictet & Cie (Europe) S.A., Hong Kong Branch

Key Financial Information Disclosure Statements

Chief Executive's Declaration of Compliance

The Interim Disclosure Statement was prepared in accordance with the Banking (Disclosure) Rules made by Hong Kong Monetary Authority under Section 60A of the Banking Ordinance (Cap.155). To the best of my knowledge, the information contained in the statement is not false or misleading in any material respect.

A copy of the Disclosure Statement has been lodged with the Hong Kong Monetary Authority's Public Registry and is available on the website <https://www.group.pictet/about/worldwide-offices/hong-kong>, for public inspection.



Sharon Chou

Chief Executive, Hong Kong Branch

Date: 23 September 2019